

Do **GREAT** things for yourself, OR  
Do **AWFUL** things to yourself

Rian Le Roux



do great things



**Households**



for future  
big expenses  
& retirement

**Companies**



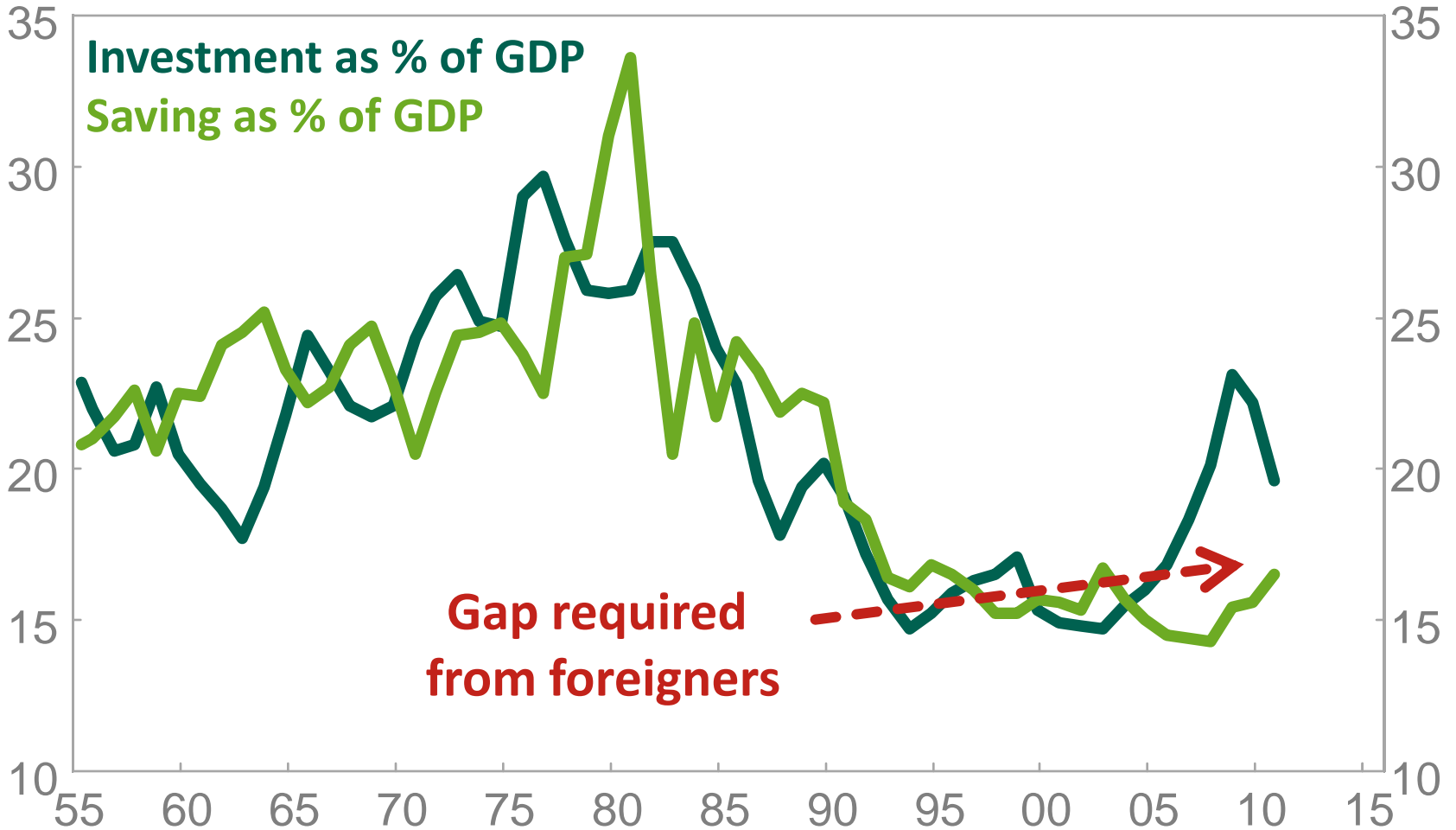
to finance  
replacement  
& expansion

**Government**



to finance  
physical  
infrastructure  
investment

**Both investment and saving need to rise back to 1950's & 1960's levels**



- **Slower** global economic growth
- **Lower** real investment returns
- **Higher** dependency ratios and retirement ages
- **Constrained** governments
- **Rising** user charges
- **Cut-backs** in social benefits
- **Under-funded** DB pension funds
- **Under-provided** DC members



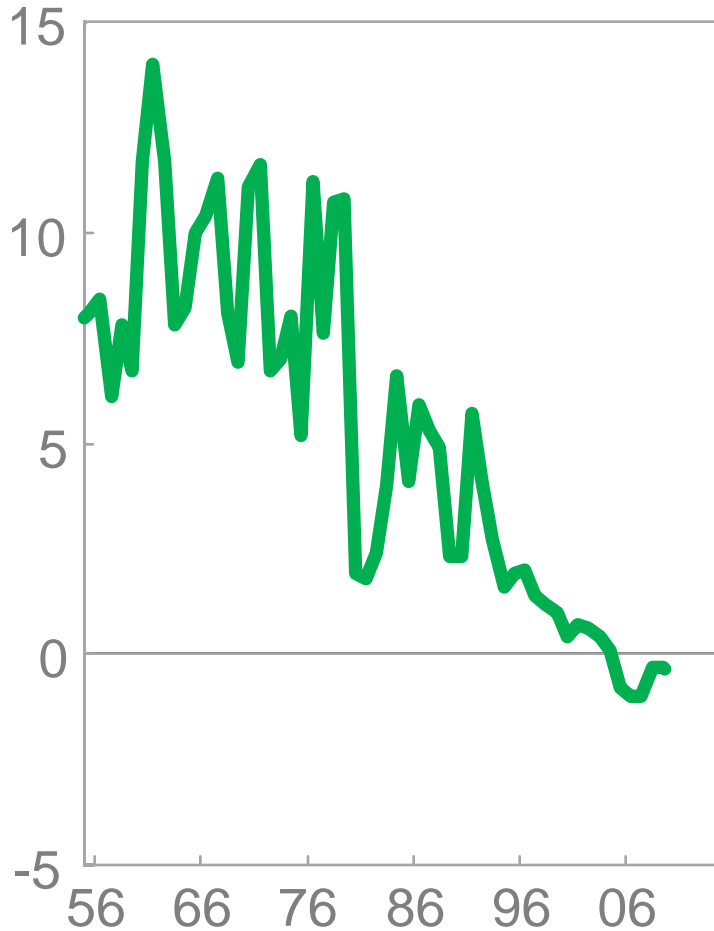
**i.e. you're increasingly on your own**

# Households have managed their finances poorly

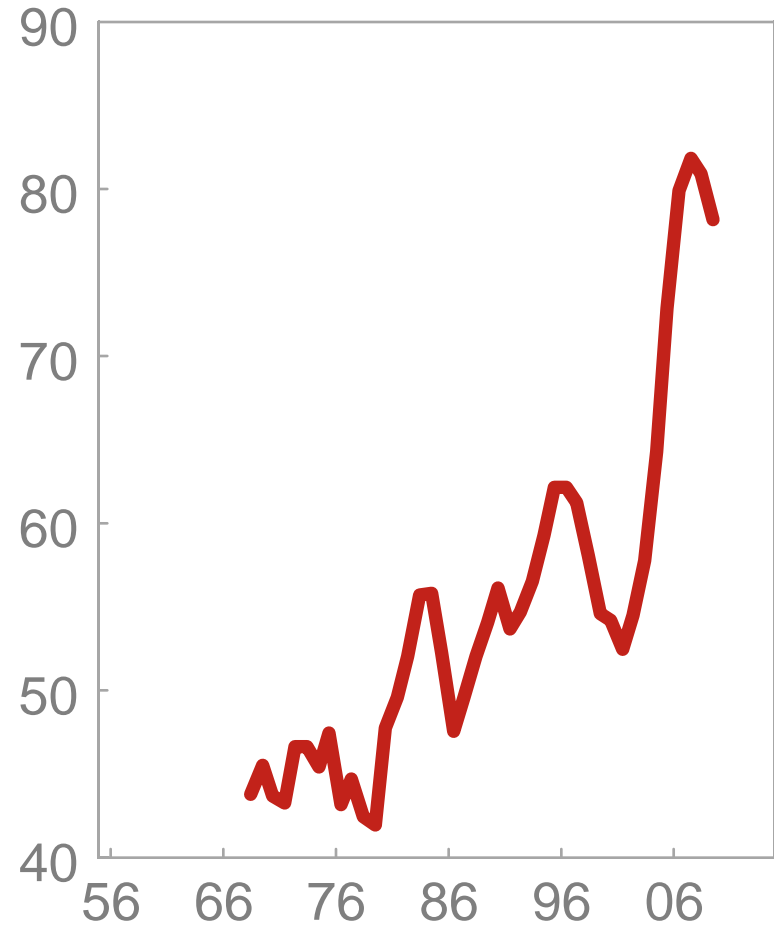
*especially*



## Saving as % of income



## Debt as % of income





- Global realities apply here too
- **Most South Africans already badly under-provided for future liabilities**
- Vital variables:
  - How much you save
  - How long your save
  - Investment return

	50 years (1960 – 2010)
Shares	20.0%
LT Bonds	11.0%
Cash	11.0%
<b>Weighted Average</b>	<b>16.5%</b>
<b>Inflation</b>	<b>8.5%</b>

**Future Realistic Investment Returns :  $\pm$  9% to 11% p.a.**

## 35 years worked

% Saved	Inv. Return	% of pension taken	Pension as % of last salary
13	9.0	6.5	32
30	9.0	6.5	75
13	13.5	6.5	75
13	9.0	15.0	75

All examples assume:

- 9% p.a. salary gain
- 6% p.a. inflation



In retirement you need a growing income!



Multiples	All Share Index	Dividends
Since 1983	37x	18x
Since 1990	11x	8x
Since 2000	4x	4x



# What should you (& your clients) do NOW?



- FULLY understand your **retirement provisioning**
- FULLY understand your **future liabilities**
  - kids (esp education), parents, medical, residence change
  - retirement
- FULLY consider **ALL the risks** you face  
(do **NOT** fool yourself)
- **TIME** is your best friend when it comes to capital building



Thank You!